

Latam Daily Flash

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Economic Analysis

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Following a day where the main news was the announcement of more tax incentives in Brazil, today we await inflation for the first half of April in Mexico and external data in Brazil. The former will be of special relevance as it will be the first batch of inflation data to be released with updated weightings. We expect these figures to show that inflation declined in bi-weekly terms, but continued to trend up in annual terms. In Brazil, we expect the current account deficit to trend upwards to close to the 3.0% of GDP level.

Brazil - More tax cuts

Not surprisingly, the government announced yesterday that the ethanol industry will benefit from some tax incentives and subsidized credit. In addition, the share of ethanol in the gasoline blend will increase from 20% to 25% from 1 May onwards (and not from 1 June as previously announced). These measures are aimed at boosting ethanol output and also at driving down inflation. In our view, they show that the government is still prepared to use tax incentives to keep domestic prices under control even though the central bank has already started a monetary tightening cycle to deal with the inflation problem.

What to watch today

Chile - Central Bank Financial Traders Survey (second half of April, 07:30 hrs NYT)

We expect the survey to show inflation estimates at around -0.3% MoM for April and expectations of a stable monetary policy rate in the medium term. We anticipate short-term exchange-rate estimates in the order of CLPUSD480.

Mexico - Inflation (first half of April, 09:00hrs NYT)

These figures are important as they are the first to be published with updated weightings based on results of the 2010 ENIGH household survey. Our forecast (calculated with preliminary weightings) is that headline inflation will decline 0.12% bi-weekly (4.7% YoY), and core inflation will increase 0.05% bi-weekly (3.0% YoY). Our view is that inflation will drop from May onwards to come in at around 3.85% in December.

Brazil - External accounts (March, 09:30hrs NYT)

The still weak trade surplus recorded in March (due to a 7.6% YoY decline in exports and a 1.4% YoY expansion in imports) should maintain the current account deficit at around USD6.0bn in March due to the anticipated deficits on the income and service accounts. We expect the current account deficit accumulated in the last 12 months to continue to trend upwards to close to the 3.0% of GDP level.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	24-Apr	Apr 22	0.18%	--	0.17%	0.08%
FGV Consumer Confidence	24-Apr	Apr	112.00	--	--	113.9
FGV CPI IPC-S	24-Apr	Apr 23	0.59%	--	--	0.65%
Current Account - Monthly	24-Apr	Mar	-\$6300M	--	--	-\$6625M
FGV Construction Costs (MoM)	25-Apr	Apr	0.76%	--	--	0.28%
COPOM Monetary Policy Meeting Minutes	25-Apr	Apr	--	--	--	--
Unemployment Rate	25-Apr	Mar	5.9%	5.9%	--	5.6%
Manufacturing PPI (YoY)	26-Apr	Mar	--	--	--	7.73%
Outstanding Loans MoM%	26-Apr	Mar	--	--	--	0.7%
Chile						
Central Bank's Traders Survey	24-Apr	Apr	--	--	--	--
Central Bank Meeting Minutes	26-Apr	Apr	--	--	--	--
Colombia						
Overnight Lending Rate	26-Apr	Apr 26	3.25%	3.25%	--	3.25%
Mexico						
Retail Sales (INEGI)	22-Apr	Feb	0.5%	1.1%	-2.60%	1.8%
Bi-Weekly CPI	24-Apr	Apr 15	-0.1%	--	--	0.31%
Bi-Weekly Core CPI	24-Apr	Apr 15	0.06%	--	--	0.02%
Global Economic Indicator IGAE	25-Apr	Feb	0.75%	2.00%	--	3.24%
Trade Balance	26-Apr	Mar	391M	--	--	46.1M
Overnight Rate	26-Apr	Apr 26	4.00%	4.00%	--	4.00%

Most recent Latam reports

Date	Description
22-04-2013	➤ Mexico Economic Watch: Room for accumulating reserves in view of the strength of the exchange rate
22-04-2013	➤ Mexico Real Estate Flash: Let's not lose sight of the forest...
18-04-2013	➤ Brazil Flash: Monetary conditions are tightened to prevent inflation from running out of control
16-04-2013	➤ Mexico Real Estate Flash: A helping hand for the housing industry
11-04-2013	➤ Peru Flash: Output kept expanding at a strong pace in February
11-04-2013	➤ Mexico Real Estate Flash: Construction activity a step back
11-04-2013	➤ Flash Chile: Central Bank keeps interest rate at 5% and its neutral tone
11-04-2013	➤ Flash Peru: No surprises in April monetary policy meeting
10-04-2013	➤ Brazil Flash: Inflation breaches target ceiling in March
10-04-2013	➤ Mexico Real Estate Flash: New drop in construction production

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